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ABSTRACT

This report uses text, graphs, and tables to show how Vermont's Act 230 (1990) is being implemented to reform both regular and special education. The Act's goals focus on reducing dependence on categorical programs such as special education and increasing support available to students not eligible for special education through such strategies as revision of the special education formula and establishment of a state/local partnership for funding services. Separate sections provide data and analysis on the reform plan, factors impacting significantly on the reform effort (such as the increased demands placed on schools), the impact of reform (e.g., provision of support services to 32 percent of students), the impact on student placement, increasing costs, extraordinary costs for students with intensive needs, the heavy burden on school districts, causes of increased costs (such as increasing needs of students and families), and recommendations. General recommendations are: (1) stemming the trend of increasing student/family needs; (2) building capacity of schools and communities to deal with diverse needs; and (3) developing alternatives for those who need them. More specific recommendations urge more flexible funding, integration of human service workers in the schools, and dissemination of innovative model programs. (DB)

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VERMONT'S

ACT 230 AND SPECIAL EDUCATION

FUNDING AND COST STUDY

January, 1995

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VERMONT'S
ACT 230 AND SPECIAL EDUCATION
FUNDING AND COST STUDY

* **Schools across Vermont are struggling to meet the challenge of school reform and the growing needs of all its students.**

* **Increasing costs and declining state support have raised questions about the effects of Act 230.**

* **The debate continues regarding how best to fund education and ensure success for all students.**

THE PLAN FOR REFORM

Throughout the early 1980's the special education population was growing at a rapid rate. There were limited options available in most school districts to provide students additional support. Many students were therefore being found eligible for special education to ensure their needs would be addressed. Costs for special education were increasing dramatically, and the special education funding system was viewed as inequitable, inflexible and unresponsive to need. The funding system restricted schools' attempts to design alternative programs to meet students' needs and seemed to reward the placement of students in categorical, restrictive and expensive placements. To address this situation two special commissions designed legislation to revise the special education funding system (Act 235) and two years later, in 1990, passed Act 230 to continue the reform effort of both regular and special education.

The goals of Act 230 and Special Education reform were:

* to reduce dependence on categorical programs such as special education by increasing the capacity of the whole education system to better meet the need of all children,
* to increase support available to students not eligible for special education, and
* to reduce the burden of paperwork in the special education system.

Act 230 goal:

Increase school capacity to better serve all children.

The strategies adopted to accomplish these goals were:

* revision of the special education formula to be more flexible, predictable, and equitable,
* establishment of a state/local partnership in the funding of instructional support services,
* establishment of an instructional support system and team in every school,
* provision of professional development for all school staff,
* revision of special education forms, procedures and reporting requirements,
* development of computer software to integrate reporting and procedural requirements, and
* collaboration with human services to develop an integrated system of human and education support services.

THE CONTEXT OF REFORM

It is now clear, with the advantage of hindsight, that two factors were present that were to have a significant impact on the implementation of this reform effort:

1. Increasing demands placed on schools

Act 230 was implemented in the face of what we can now see as a long term and steady increase in the number and severity of students' needs:

Teachers report 30%-40% of students require some support.

* Teachers report that 30% - 40% of students require some support services (in some schools the numbers are as high as 60%),

* SRS's daily count of students in custody is up 20% since 1990,

* Federal studies from the National Institute of Health indicate that 25% of the population may have a congenital disorder that significantly affects the ability to learn to read,

* Of 100 infants born in the U.S.:

  - 12 will have parents who will divorce before the child reaches age 10,
  - 5 will have parents who separate,
  - 40 will live in a female headed household,
  - 13 will be born to teenage mothers,
  - 15 will be born into homes where no parent is employed,
  - 15 will be born into homes with poverty wages,

- 20 will be illegitimate,
- 6 will lose a parent in death,
- 25 will eventually receive welfare,

Since 1988 there has been a 53% increase in number of students eligible under Emotional Behavioral Disability

* 28% of Vermont students entering school are not ready to learn (Carnegie study)

* SRS residential placements up 48% since 1990,

* Students found eligible for special education under Emotional Behavioral Disability increased 53% since 1988,

* Over 10,000 students eligible for Chapter 1 remained unserved.

2. Capacity of regular education is flat or reduced

During the period 1989-1993, local budgets were tight and the state funding share of total education costs declined from 31.8% to 27.8%. Meanwhile, student population increased from 96,892 to 102,674. School districts had to struggle to maintain the capacity of the regular education system to meet all students' needs.

* *Rutland Northeast staff reduced from 390 to 330*

* *Hartford teacher/student ratios changed from 1:17 to 1:23*

Of 12 districts sampled, three (25%) demonstrated a significant loss of regular education capacity. This loss was demonstrated through a reduced teacher/student ratio and/or reduced regular education support capacity (school counselors, nurses etc.) The other nine districts maintained basic capacity, but nearly all reported it was at the expense of other areas of the budget such as: building maintenance, extracurricular activities, new programs, field trips etc. A statewide analysis of salaries over the past 6 years indicates a shift in resources. Elementary and secondary salaries have been allocated a decreasing share while special education has received a steady increase from 5.2% in FY'89 to 8.2% in FY'94.

IMPACT OF REFORM

1. 32% of all Vermont students receiving support

In 1989, 13,243 students were counted as receiving special education services. In 1990, Act 230 was passed with the intent of reducing the number of students who had to be classified as eligible for special education in order to receive support services and to meet the needs of additional students under the instructional support system which was funded in part by the special education formula.

Yearly child count data for special education has documented an 18.4% reduction in the special education count down to 10,804 in FY'93.

* *Child Count down 18.4%*

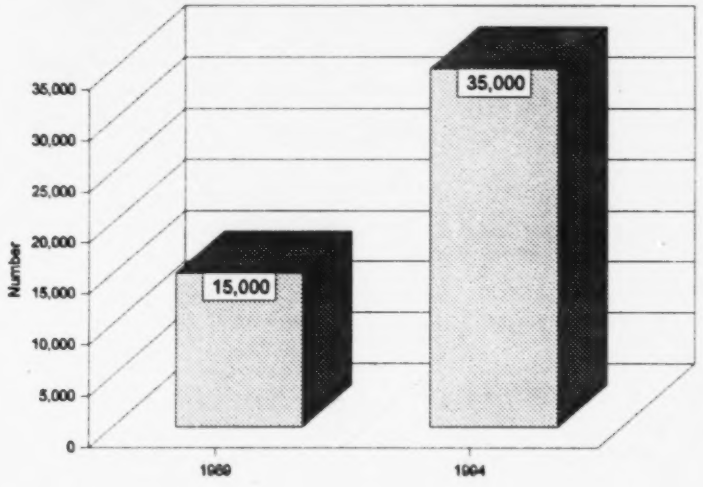
But

* *Special Education funds now support 22,000 students who are <u>not</u> eligible for special education*

From data collected in December, 1994, we have learned that for each student eligible for special education, between 2 and 2.5 students who were not eligible were also provided support. That means that between 22,000 and 27,000 students who are not eligible for special education are receiving support from the staff funded by the Act 230/Special Education Formula. Including the students who are eligible for special education, a total of 32,800 - 37,800 students are receiving instructional support through this system.. That is 32% - 37% of the total school population. Given this increase in the number of students receiving support, the cost per pupil has decreased 38% in four years.

Cost per pupil decreases from $3,650 to $2,254.

Students Receiving Support Increases



87% of students coming off IEPs are successful in the regular classroom

98% of their classroom teachers said these students should be in their classrooms

2. Evaluation results positive

To identify the effects of the Act 230 and special education reform effort a comprehensive evaluation was undertaken. Over the past two years a multifaceted evaluation has been carried out involving 57 schools and over 1800 interviews of teachers, parents, administrators and specialists and collecting both quantitative and qualitative data on the impact of this effort on schools and students. The results indicated:

* support services were integrated into many classrooms providing support to more students,

Schools are making changes that benefit all students.

* implementation of Act 230 still uneven around the state,
* students coming off IEPs were judged to be successful by 87% of those interviewed,
* 65% of referrals to Instructional Support Teams were judged successful,
* 98% of teachers interviewed felt it was appropriate for the students who came off IEPs to be in their classrooms,
* many schools are making changes in classroom organization (integrated curricula, team teaching, cooperative learning) that benefit all students,
* training was credited as a critical ingredient of successful change.

IMPACT ON STUDENT PLACEMENT

Throughout the 1980s the primary placement for most students with disabilities was in the regular classroom. In 1989, about 76% of students with disabilities had the regular classroom as their primary placement. In 1990, that number had risen slightly to 80% and by 1993 it had risen to 83%. That change resulted largely from school districts returning students with learning impairments from regional programs. There are still 17% or about 1800 special education students whose primary placement is not the regular classroom.

In Vermont, most students with disabilities have always been in their local schools.

Another change that took place involved some students who had always been in the regular classroom, but left the classroom to receive support services for short periods of the day. These students now receive the support services in the classroom. These services are integrated into the regular classroom and curriculum.

While concerns are now high for students with emotional and behavioral problems these changes did not have the same impact on them. Since few regional programs ever existed for students with behavior and emotional disabilities, they were either already in their own schools or in residential placements. The concerns here are caused by increasing numbers of students with these problems.

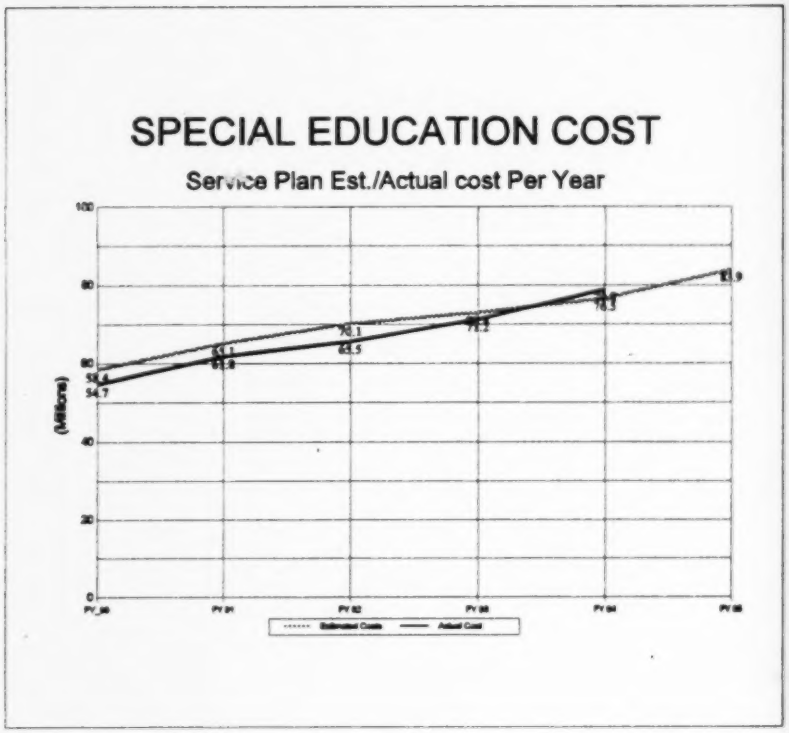
INCREASING COSTS

State funding leveled off with the result that the state share fell from a high of 49% in FY'93 to 42.4% projected for FY'95.

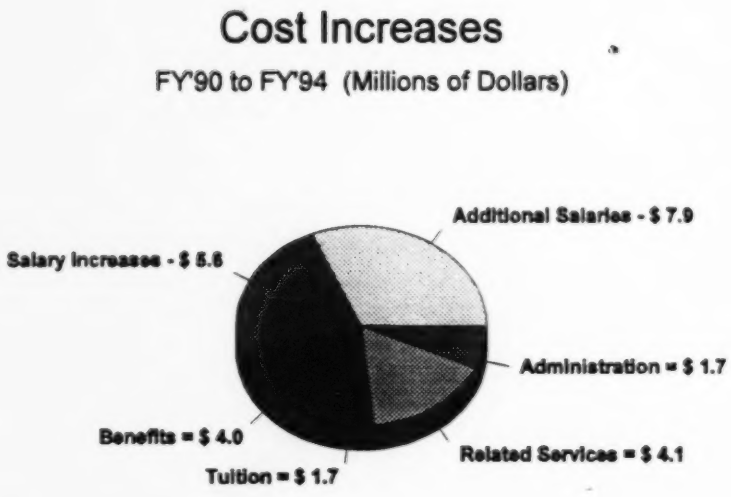
On the face of it, the efforts surrounding Act 230 and special education reform appear to have accomplished many of the things they were intended to do. However, one thing happened that wasn't intended - the costs kept going up:

* Expenditures under the special education/Act 230 formula increased from $54.7 million in FY'90 to $78.9 million in FY'94 with similar increases projected through FY'96.

In FY'94, for the first time, school districts' actual expenditures exceeded their projections. Actual expenditures were higher by $2.3 million for an increase of 10.8%.



70% of the $24 million increase was in salaries and benefits. 22% was due to contracted salary increases of special education staff.


Cost Increases
FY'90 to FY'94 (Millions of Dollars)
Additional Salaries - $ 7.9
Salary Increases - $ 5.8
Administration = $ 1.7
Benefits = $ 4.0
Related Services = $ 4.1
Tuition = $ 1.7

EXTRAORDINARY COSTS RISE FOR STUDENTS WITH INTENSIVE NEEDS

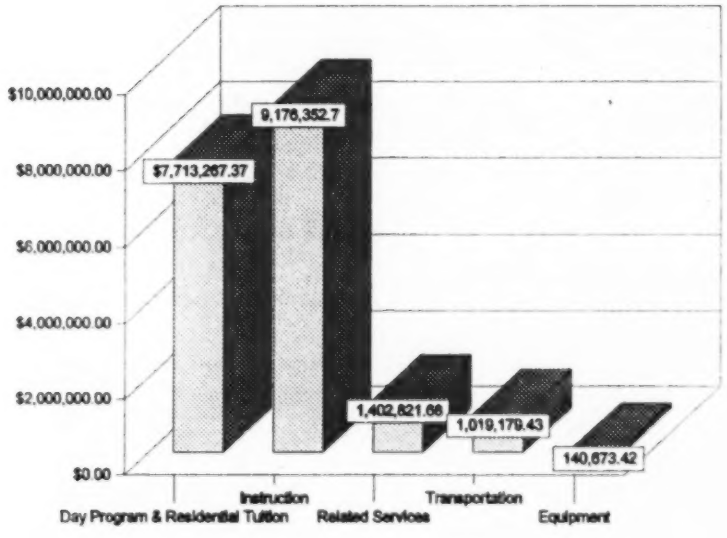
The extraordinary reimbursement portion of the formula was designed to protect school districts from catastrophic costs for individual students with intensive service needs. To be eligible for extraordinary reimbursement, individual student costs must exceed 3 times the foundation level, which equaled $12,075 in FY'94. Expenditures exceeding that level are reimbursed at a rate of 90%. A significant part of the overall increase in spending is in the extraordinary portion of the formula:

Extraordinary costs since 1990:

* ***Per pupil cost up 14%***
* ***Numbers of students up 41%***

* Extraordinary reimbursement increased from $5.2 million in FY'90 to $8.3 million in FY'94.
* While the costs per extraordinary student increased only 14% over four years, the number of students eligible for extraordinary reimbursement rose 41% from 599 in FY'90 to 847 in FY'94.

Breakdown of Total Cost for Extraordinary Students in FY'94



* Of the extraordinary cost for FY'94, 39% was spent on tuition to regional or residential programs and 47% was spent on other

instructional services, a large part of which was for individual aides.

1000 INDIVIDUAL AIDES

The average cost of an aide is $11,141 with the average cost of a total program for the students with aides being $16,366.

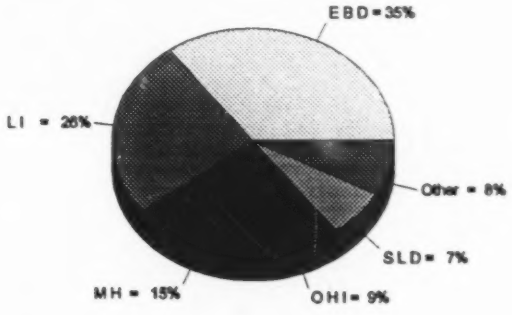
Individual aides account for a significant portion of the increase of expenditures in the Act 230/Special Education formula:

* Since 1990 the number of individual aides has increased from [illegible] to 1,005 and the number of students served by individual aides has risen from 751 to 1,568.

* The majority of students who require individual aides are in the elementary grades.

Students With Individual Aides

By Disability



Cost of program for 10 years:

with individual aide
$ 163,660

average alternative program
$ 430,710

EBD = Emotionally Behaviorally Disabled
LI = Learning Impaired
MH = Multihandicapped
OHI = Other Health Impaired
SLD = Specific Learning Disability
Other = Orthopedically Impaired, Developmentally Delayed, and Deaf and Hard of Hearing

* Students with individual aides are most likely to have emotional/behavioral disorders (35%), learning impairments (26%), or multiple handicaps (15%).

While the cost of individual aides is obviously high, the cost of current alternatives appears higher still. School districts reported that the alternative to hiring an individual aide would be either a special class placement or a residential placement with the total cost of the program rising to between $17,000 and $90,000 per year per student.
The cost of the average program for one student, including an aide, for ten years would be $163,660 as opposed to the cost of the average alternative for ten years of $430,710 - a difference of $297,050 for one student.

If a child is placed in a residential or special class early in his/her school career there is greater likelihood that he/she will remain there. This and the fact that the elementary level usually has greater flexibility and capacity to accommodate, may explain why more aides are being hired at this level.

SCHOOL DISTRICTS BEAR THE BRUNT

Most of the burden to pay for the increased cost fell to local school districts:

* Between FY'90 and FY'94 total formula costs increased about $24 million.

* Local school districts paid about $14.5 of this increase and the state about $9.3 million.

* The state funding share fell from 49% in FY'93 to 42.4% projected for FY'95, with an even lower share expected for FY'96.

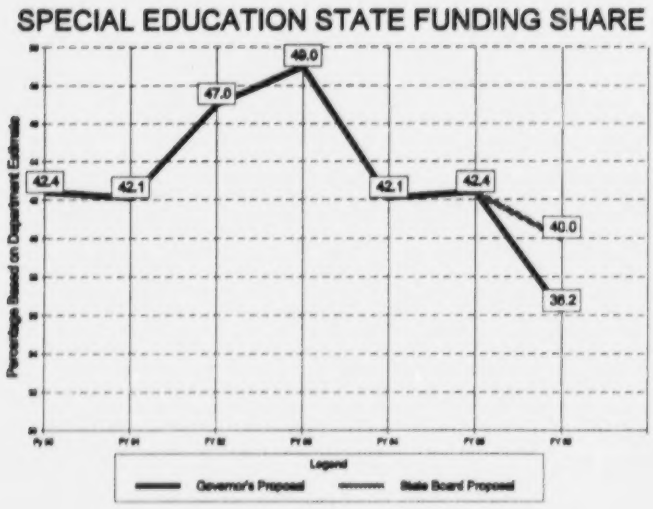
* Burlington had a 45% local increase of over $700,000; Milton, a 74% increase at $387,000; Winooski, a 71% increase of over $138,000.

THE LOCAL CRUNCH

Burlington:
45% increase / $ 700,000

Milton:
74% increase / $ 387,000

Winooski:
71% increase / $ 138,000



Chittenden County:

One school reported that 42% of its total school population required support in math, and 43% in reading.

Orleans County
7th and 8th grade teachers report at least 50% of the students are reading below grade level.

The number of students in care and custody of SRS in Montpelier increased 100% since 1990 and in Chittenden Central the number has increased 200% since 1991.

WHAT'S CAUSED COSTS TO INCREASE?

From the data reviewed, three factors seem to have converged with factors already in the system to produce significant increases in costs:

1. Increasing needs of students and families has become a long term trend

There are more students that require individual support and more students with intense needs than ever before. There is considerable evidence to support the argument that if this were not true, costs would not have increased significantly and Act 230 would have accomplished even the goal of reducing costs through a more cost effective system of services. As it was, the efficiencies gained through Act 230 and the provision of support to additional students were overwhelmed by the increasing need. In order to respond to the need, schools added resources, often in the form of individual aides. Many of these students also required additional related services and/or equipment. In some cases, especially when other agencies were involved, schools found themselves providing services not usually considered educational. Collaboration with other agencies has clearly increased, often to good effect, but some schools felt that the main effect was an increase in their costs.

2. In the face of tight budgets and diminishing state support, schools struggled to maintain capacity

The result of this was that regular education capacity was often stretched to the limit. The demands made on school staff by the many local and state reform efforts, coupled with years of tight budgets and the increased needs of the students, created a situation in which new demands could not be made on a classroom without adding to the resources of the classroom.

3. Reorganized instructional support systems also stretched by serving additional students

To make Act 230 (and other reforms) work in the environment described above and provide support to over 30,000 students, schools had to reorganize the way their support services were delivered. Many school districts allocated their support staff, both professional and paraprofessional, to work in the classroom with teachers. By taking expanded groups for instruction, team teaching with classroom teachers, helping to implement cooperative learning and integrated curriculum in the classrooms, the support services in many schools were able to expand the number of students receiving support and realize the goals of Act 230.

However, by allocating their support services resources to the classroom to provide support to additional students the special services staff, in effect, dramatically increased their caseloads, and now had little or no capacity to respond to the new demands that kept appearing. So again, when demands arose resources needed to be added. Both the regular and support service system was at capacity providing more assistance to many more students who had increasingly intense and various needs.

OTHER FACTORS AFFECTING COST

1. The high cost of Vermont's local education system with its many small school districts and buildings has significant impact on the cost of special education/support services. Specialists must either travel from school to school or each school must hire their own. Small schools often can't afford their own support staff or special programs.

2. The special education/support services system has a higher percentage of staff cost than the education system as a whole. There are no buildings, football teams, etc. to support. So when

salaries are on the rise, as they have been throughout the last few years as Vermont teachers' salaries have risen to 20th in the nation, it has a greater impact on special education costs. Salaries for special educators have risen about 22%, between FY'90 and FY'94 which accounts for over $5.3 million (23.4%) of the increase for those years.

WHAT MUST BE DONE?

In 1992, the U.S. spent an average of $30,000 per year to incarcerate increasing numbers of juveniles but only $5,261 per child to be educated.

1. The trend of increasing student/family needs must be stemmed

We cannot afford the "back end" costs of special education, corrections, residential placements, unemployable youth, etc. for this growing population. It will bankrupt us or produce an ever growing class of unproductive citizens that require public supports to survive. In 1992, the U.S. spent an average of $30,000 per year to incarcerate increasing numbers of juveniles but only $5,261 per child to be educated. Communities must work together with schools, health and human service agencies to develop effective prevention and early intervention programs.

Pre-school to grade three:

* *Reading / language*
* *Family support*
* *Community Children Support Corps*

Study Group Recommendations

* focus resources on an intensive pre-school through grade three language and reading program,
* include a comprehensive family support, assistance and literacy component,
* galvanize the entire community in this effort by developing local Community Children Support Corps in every town.

2. Build capacity of schools and communities to deal with diverse needs

It appears that increased diversity of every sort is a trend that will continue for years to come. Schools must continue to build their capacity to better serve all children. Responses in some schools to reform efforts like Act 230, Success by Six, and New American Schools have shown us that significant improvement is possible. We have not yet reached the point where we are spending our resources in

the most effective and cost efficient manner. With the help of Vermont's assessment programs to evaluate our efforts and a determined search for creative ideas and effective programs, great strides can be made.

Study Group Recommendations

- Training and collaboration have been the hallmarks of every success thus far. Creating time for training and collaboration to occur must be the **first priority.**

  - change student schedule to late start or early dismissal,
  - arrange school schedule to create common planning time,
  - reduce teacher supervision of lunch, recess, etc.

- Dedicate a percentage of every budget for training.

Training and collaboration must be the first priority.

3. Alternatives for those who need them must be developed in our schools and our communities

Many schools need alternatives for our most behaviorally challenging students and we must develop them, but it is not just those students that need alternatives to what currently exists. Many of our students are not being well served by the current range of options available in most schools, especially our high schools. Schools may need to look and act much differently to accommodate the needs of students who are gifted and talented, unmotivated or have different learning styles.

Study Group Recommendations

- Build capacity of schools and regions to meet the needs of individual students by maximizing use of:

  - more flexible funding,
  - integration of human service workers in the schools (e.g. Success Beyond Six),
  - BEST Project school plans (Building Effective Supports for Teaching Students with behavioral challenges),
  - dissemination of innovative and alternative model programs,
  - expansion of vocational and community service options for high school students

- Expand concept of "Interagency Planning" to the broader concept of community planning and include non-traditional entities.